



INFORMATION REPORT

TO:	Mayor and Members General Issues Committee
COMMITTEE DATE:	June 1, 2016
SUBJECT/REPORT NO:	Development Charges Annual Indexing - Effective July 6, 2016 (FCS16049) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Joshua Van Kampen (905) 546-2424 Ext. 1434
SUBMITTED BY:	Mike Zegarac General Manager Finance and Corporate Services Department
SIGNATURE:	

Council Direction:

N/A

Information:

Development Charges Annual Indexing

In accordance with the City's Development Charge (DC) By-laws, DC rates are adjusted annually by the percentage change during the preceding year, as recorded in the Statistics Canada's Construction Cost Index (non-residential building) (CANSIM Table 327-0043) as prescribed by the Province's *Development Charge Act*. This adjustment is required to align DC revenues with construction costs and helps ensure the sustainability of the DC reserves for the funding of the City's growth-related capital requirements.

There are two Development Charge (DC) By-laws administered by the City Of Hamilton that include By-law 14-153, respecting the collection of DCs for growth-related City services and By-law 11-174, respecting the collection of DCs to pay for the City's contribution towards Metrolinx growth capital. Both By-laws are consistent with the timing of the indexation of rates. The current DC rates in effect need to be indexed to reflect the change in costs for 2015. The percentage change in this price index during the previous calendar year will be the change in the DC rate in the current year.

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Table 1 illustrates that the percentage change in the 2015 index was 1.82%. The effective date of the indexing is July 6, 2016 representing the anniversary dates of the By-laws.

Table 1

Stats Canada NR Building Construction Price Index		
Year	Index	Percent change
2014	154.2	
2015	157.0	1.82%

Source: Statistics Canada - CANSIM table 327-0043

A summary of the current and indexed rates are illustrated in Tables 2 and 3. In DC By-law 14-153, Council phased in the calculated DC increase for residential and industrial developments over the first year with the final phase-in occurring concurrently with the July 6, 2015 index calculation.

Note that each individual service category is indexed which may result in the overall increase being slightly more / less than applying the 1.82% index rate to the overall total. Tables 2 and 3 show the impact on the overall City DC charge after each individual service category had been indexed.

Table 2 illustrates the Residential City DC rates.

Table 2

Residential DCs (\$ per unit unless otherwise stated)	City DC's Jul 6, 2015 - Jul 5, 2016 (\$)	City DC's Jul 6, 2016 - Jul 5, 2017 (\$)
Singles/Semi's	35,465	35,620
Apartment (2+ bdrms)	25,630	25,743
Apartment (1 bdrm)	21,651	21,748
Townhouse/ Other Multiple	15,064	15,130
Residential Facility (\$ per bed)	11,507	11,555

*Note: Does not include Special Area Charges which are not subject to annual indexing

Table 3 illustrates the Non-Residential City DC Rates.

Table 3

Non-Residential DCs (\$ per square foot)		City DCs Jul 6, 2015 - Jul 5, 2016 (\$)	City DCs Jul 6, 2016 - Jul 5, 2017 (\$)
Industrial		11.60	11.81
Non-Industrial (ie. Commercial, institutional)	1st 5000 sq ft	9.51	9.55
	2nd 5000 sq ft	14.26	14.32
	10,000+ sq ft	19.01	19.09

The 2011 DC By-laws established a rate for new small Industrial Developments of 10,000 square feet or less. This reduced rate was maintained with the passing of the 2014 DC By-Law 14-153. This rate does not apply to the first 10,000 square feet of industrial development larger than 10,000 square feet only to developments that are

10,000 square feet, or less, in total. The rate in effect is \$8.86 or 75% of the full industrial rate of \$11.81.

Metrolinx Development Charges are only collected from residential development.

Table 4 illustrates the index impact on Metrolinx DC Rates.

Note that the indexed rate may be slightly different than applying the 1.82% to the existing rate. This difference is due to the fact that when the index calculation is prepared, the original Metrolinx DC (\$215 per single / semi) and all previous index factors, are considered.

Table 4

Residential DCs (\$ per unit unless otherwise stated)	GO Transit DCs Existing Rate July 6, 2015 - July 5, 2016(\$)	GO Transit DCs Indexed Rate July 6, 2016 - July 5, 2017(\$)
Singles/Semi's	233	237
Apartment (2+ bdrms)	167	170
Apartment (1 bdrm)	144	147
Townhouse/ Other Multiple	96	98
Residential Facility (\$ per bed)	76	77

Appendix "A" to Report FCS16049 is the Development Charges Pamphlet which will be posted on the City of Hamilton website, and made available to the public. The Pamphlet provides a more detailed summary schedule by area and development type. Special area charges and educational DCs are also outlined, where applicable.

Transition Policy

The City's Development Charge Transition policy also impacts inflationary rate increases and or decreases. Development Charges are payable upon building permit issuance and the rates payable are based on the rates in effect on the date of permit issuance. However, to offset the financial impacts to developments already in progress and nearing permit issuance, a transition policy was included as part of DC By-law 14-153. The transition policy allows for the DC rates in effect on the date of building permit *application*, to be paid, provided that **all** of the following criteria are met:

- The permit application must be a complete application as per requirements outlined by the Building Department;
- The permit must be issued within six months of the effective date of a rate increase; and,
- The permit must not be revoked after the date of a rate increase.

Other DC Updates Effective on July 6, 2016

The DC CIPA exemption is decreasing from 85% to 80% on July 6, 2016. A detailed Information Report (FCS15022) was presented to the Audit, Finance and Administration Committee at its meeting of April 13, 2015.

Appendices and Schedules Attached

Appendix "A" to Report FCS16049

Development Charges Information – Pamphlet

Summary of By-Law 14-153 and By-Law 11-174 (as amended)

Rates Effective July 6, 2016 – July 5, 2017